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FEB 07 2013

**SECRETARY, BOARD OF
OIL, GAS & MINING**

**BEFORE THE BOARD OF OIL, GAS AND MINING
DEPARTMENT OF NATURAL RESOURCES
STATE OF UTAH**

IN THE MATTER OF THE REQUEST FOR
AGENCY ACTION OF BILL BARRETT
CORPORATION FOR AN ORDER
AUTHORIZING THE FLARING OF GAS IN
EXCESS OF THE AMOUNTS ALLOWED UNDER
UTAH ADMIN. CODE RULE R649-3-20(1.1)
FROM THE AURORA FEDERAL 15-28D-7-20
WELL LOCATED IN THE SW $\frac{1}{4}$ SE $\frac{1}{4}$ OF SECTION
28, TOWNSHIP 7 SOUTH, RANGE 20 EAST,
SLM, UINTAH COUNTY, UTAH

**FINDINGS OF FACT,
CONCLUSIONS OF LAW AND
ORDER**

Docket No. 2013-002

Cause No. 142-07

This Cause came on for hearing before the Utah Board of Oil, Gas and Mining (the "Board") on Wednesday, January 23, 2013, at approximately 3:00 p.m., in the Auditorium of the Utah Department of Natural Resources Building in Salt Lake City. The following Board members were present and participated at the hearing: Chairman James T. Jensen, Jake Y. Harouny, Jean Semborski, Ruland J. Gill, Jr., Kelly L. Payne, Carl F. Kendell and Chris D. Hansen. The Board was represented by Michael S. Johnson, Esq., Assistant Attorney General.

Testifying on behalf of Petitioner Bill Barrett Corporation ("BBC") were Thomas Abell – Landman, and Anna Young – Reservoir Engineering Advisor. Mr. Abell testified as a fact witness and Ms. Young was recognized by the Board as an expert in petroleum engineering for purposes of this Cause. Relma M. Miller, Esq., of and for MacDonald & Miller Mineral Legal Services, PLLC, appeared as attorney for BBC.

The Division of Oil, Gas and Mining (the “Division”) filed a staff memorandum in this Cause on January 9, 2013. Cameron Johnson, Esq., Assistant Attorney General, appeared as attorney for the Division, and Dustin Doucet, Petroleum Engineer, appeared on behalf of the Division.

Although not present at the hearing, Jerry Kenczka of the Vernal Field Office of the Bureau of Land Management (the “BLM”), was present earlier in the day and expressed to Chairman Jensen, Mr. Doucet, and the BBC representatives in attendance, that the BLM had no objection to the granting of this Request.

No other party filed a response to the Request and no other party appeared or participated at the hearing.

The Board, having considered the testimony presented and the exhibits received into evidence at the hearing, being fully advised, and for good cause, hereby makes the following findings of fact, conclusions of law and order in this Cause.

FINDINGS OF FACT

1. BBC is a Delaware corporation in good standing with its principal place of business in Denver, Colorado. BBC is duly qualified to conduct business in the State of Utah, and is fully and appropriately bonded with all relevant Federal and State of Utah agencies.

2. The Aurora Federal 15-28D-7-20 Well (the “Well”) is located on fee surface and Federal minerals in the SW¼SE¼ of captioned Section 28. The Well produces from the Green River and Wasatch formations. The lands are currently not subject to any spacing orders of the Board, and are fully committed to the Aurora (Deep) Federal Unit (the “Unit”). The Unit is administered by the BLM. BBC is the duly designated operator of the Unit.

3. Pursuant to the terms of the governing Unit and Unit Operating Agreements and to an approved application for permit to drill, BBC spud the Well on March 4, 2012.

4. Production tests for the Well were run in accordance with the Division’s approval. The Well was flowing at 128 BOPD and 149 MCFPD, with a GOR ratio of 1,164 scf/bbl on the test date of December 4, 2012. As of January 16, 2013, the Well was flowing at 185 BOPD and 78 MCFPD, with a GOR ratio of 421 scf/bbl.

5. Chemical analysis reflects that the Well is producing gas comprised of primarily methane, ethane and propane, with no hydrogen sulfide (H₂S) and very little carbon dioxide (CO₂).

6. BBC has represented that it is considering two options for pipeline take away for the Well, one to the south, in partnership with Axia Energy, LLC and QEP Resources, Inc. Alternatively, and currently the preferred option, it would construct an approximately 4-mile pipeline to transport the gas produced from the Well, and other

wells to be drilled in the vicinity. BBC estimates that the pipeline will be completed and in service by August 1, 2013. In order to continue testing and producing the Well, and to avoid potential reservoir damage to the Well that BBC believes may occur if the Well is shut-in, BBC must flare in excess of the amounts allowed under Utah Admin. Code Rule R649-3-20(1.1), up to a maximum of 6,000 MCF per month.

7. Based on exhibits admitted into evidence and testimony received, construction of the pipeline is the only economic and practical option to deal with the produced gas, and BBC's commitment to build said pipeline reflects its good faith and due diligence.

8. Based on past and current production rates, and the other testimony and exhibits provided, the Board has determined that flaring at the rate as requested (up to 6,000 MCF per month), through to 11:59 p.m. on July 31, 2013, is justified under the circumstances.

9. A copy of the Request was mailed, via US Mail, and properly addressed to all production interest owners in Lease UTU-80689 to their last addresses disclosed by the appropriate Federal and Uintah County realty records, and to the Utah State and Vernal Field Offices of the BLM.

10. Notice of the filing of the Request and of the hearing thereon was duly published in the Uintah Basin Standard on January 1, 2013, the Vernal Express on

January 2, 2013, and Salt Lake Tribune and the Deseret Morning News on January 6, 2013.

11. The vote of the Board members was unanimous (7-0) in favor of granting the Request, that no more than 6,000 MCFPM (based on an average of 200 MCFPD) of gas be flared from the Well, and with a set authorization termination date of July 31, 2013.

CONCLUSIONS OF LAW

1. Due and regular notice of the time, place and purpose of the hearing was properly given to all parties whose legally protected interests are affected by the Request in the form and manner as required by law and the rules and regulations of the Board and Division.

2. The Board has jurisdiction over all matters covered by the Request and all interested parties therein, and has the power and authority to render the order herein set forth pursuant to Utah Code Ann. §§40-6-5(3)(f) and Utah Admin. Code Rule R649-3-20(5).

3. BBC has satisfied the requirements set forth in Utah Admin. Code Rule R649-3-20(5) for granting its Request, with a termination date of July 31, 2013.

4. The terms and conditions of flaring beyond the limits authorized under Utah Admin. Code Rule R649-3-20(1.1) for the Well are fair, just and reasonable under the circumstances and will not result in waste.

5. BBC has sustained its burden of proof, demonstrated good cause, and satisfied all legal requirements for the granting of the Request as ordered below.

ORDER

Based upon the Request, testimony and evidence submitted, and the findings of fact and conclusions of law stated above, the Board hereby orders:

1. The Request in this cause, as conformed to the testimony and other evidence provided at the hearing, is granted.

2. BBC is hereby authorized to flare from the Well until July 31, 2013; provided, that the aggregate volume of gas so flared from the Well may not exceed 6,000 MCFPM (based on an average 200 MCFPD) for the authorized period.

3. Pursuant to Utah Admin. Code Rules R641 and Utah Code Ann. §63G-4-204 to 208, the Board has considered and decided this matter as a formal adjudication.

4. This Order is based exclusively on evidence of record in the adjudicative proceeding or on facts officially noted, and constitutes the signed written order stating the Board's decision and the reasons for the decision, all as required by the Administrative

Procedures Act, Utah Code Ann. §63G-4-208 and Utah Administrative Code Rule R641-109.

5. Notice re: Right to Seek Judicial Review by the Utah Supreme Court or to Request Board Reconsideration: As required by Utah Code Ann. §63G-4-208(e) - (g), the Board hereby notifies all parties in interest that they have the right to seek judicial review of this final Board Order in this formal adjudication by filing a timely appeal with the Utah Supreme Court within 30 days after the date that this Order issued. Utah Code Ann. §§63G-4-401(3)(a) and 403. As an alternative to seeking immediate judicial review, and not as a prerequisite to seeking judicial review, the Board also hereby notifies parties that they may elect to request that the Board reconsider this Order, which constitutes a final agency action of the Board. Utah Code Ann. §63G-4-302, entitled, “Agency Review - Reconsideration,” states:

(1)(a) Within 20 days after the date that an order is issued for which review by the agency or by a superior agency under Section 63G-4-301 is unavailable, and if the order would otherwise constitute final agency action, any party may file a written request for reconsideration with the agency, stating the specific grounds upon which relief is requested.

(b) Unless otherwise provided by statute, the filing of the request is not a prerequisite for seeking judicial review of the order.

(2) The request for reconsideration shall be filed with the agency and one copy shall be sent by mail to each party by the person making the request.

(3)(a) The agency head, or a person designated for that purpose, shall issue a written order granting the request or denying the request.

(b) If the agency head or the person designated for that purpose does not issue an order within 20 days after the filing of the request, the request for reconsideration shall be considered to be denied.

Id. The Board also hereby notifies the parties that Utah Admin. Code Rule R641-110-100, which is part of a group of Board rules entitled, “Rehearing and Modification of Existing Orders,” states:

Any person affected by a final order or decision of the Board may file a petition for rehearing. Unless otherwise provided, a petition for rehearing must be filed no later than the 10th day of the month following the date of signing of the final order or decision for which the rehearing is sought. A copy of such petition will be served on each other party to the proceeding no later than the 15th day of the month.

Id. See Utah Admin. Code Rule R641-110-200 for the required contents of a petition for Rehearing. If there is any conflict between the deadline in Utah Code Ann. §63G-4-302 and the deadline in Utah Admin. Code Rule R641-110-100 for moving to rehear this matter, the Board hereby rules that the later of the two deadlines shall be available to any party moving to rehear this matter. If the Board later denies a timely petition for rehearing, the party may still seek judicial review of the Order by perfecting a timely appeal with the Utah Supreme Court within 30 days thereafter.

6. The Board retains continuing jurisdiction over all the parties and over the subject matter of this Cause, except to the extent said jurisdiction may be divested by the filing of a timely appeal to seek judicial review of this order by the Utah Supreme Court.

7. For all purposes, the Chairman's signature on a faxed copy of this Order shall be deemed the equivalent of a signed original.

DATED this 7th day of February, 2013.

**STATE OF UTAH
BOARD OF OIL, GAS AND MINING**

By: James T. Jensen
James T. Jensen, Chairman

CERTIFICATE OF SERVICE

I hereby certify that I caused a true and correct copy of the foregoing **FINDINGS OF FACT, CONCLUSIONS OF LAW AND ORDER** for Docket No. 2013-002, Cause No. 142-07 to be mailed via E-Mail, and First Class Mail, with postage prepaid, this 8th day of February, 2013, to the following:

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